

A CASE-STUDY OF CO-BRANDING IN THE ROMANIAN HOSPITALITY INDUSTRY

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Abstract: *Co-branding can be a successful marketing strategy in both consumer product industry and in hospitality industry and, in the latter, in both accommodation and catering. Co-branding has both advantages and disadvantages (for customers and companies), but literature shows that advantages are far more numerous than disadvantages. One of the companies that co-branded successfully is McDonald's. Its success is due to brand characteristics (in all co-branding cases McDonald's outperformed its co-branders), to brand relational characteristics, and to consumer-related characteristics. This paper shows that McDonald's has been most successful in Romania, where it has co-branded mainly with shopping malls, in the most important cities and towns where the purchase power of the population is medium to high, and with high-quality product and service suppliers. Despite the blaspheme of sociologists, the process of “McDonaldisation” has proved beneficial for Romania.*

Key words: *co-branding, communication, McDonald's, hospitality industry, Romania.*

INTRODUCTION

If branding is defined as “the promotion of a particular product or company by means of advertising and distinctive [wording or] design [used to identify a particular brand]” [16], co-branding is defined as “the marketing of a product or service under two or more brand names” [16].

This paper is about co-branding in the hospitality industry, where hospitality is understood as “the business of providing food, drink, and accommodation for customers of restaurants, bars, etc. or guests at hotels” [16].

Hahm [12] distinguished between co-branding in the consumer product industry and co-branding in the hospitality industry, which use, both, specific communication and specific communication channels:

- Co-branding in the consumer product industry:
 - Is also called brand alliance, brand extension, cooperative branding (for multiple brand products), marketing partnership, signature branding (for dual brand product), and strategic alliance;
 - Is also labelled “software approach”: two brands “develop a new product together on the basis of powerful brand recognition and [...] core products”;
 - Sells branded products that are virtually inseparable from branded stores;
- Co-branding in the hospitality industry:
 - Is also called brand alliance (brand licensing, dual branding, and ingredient branding), dual brand / branding (two brands under one roof, e.g., McDonald's/Wal-Mart), dual concept, multiple concepts (three brands under one roof, e.g., Pizza Hut, Taco Bell, and KFC);
 - Is labelled “hardware approach”: two or more brands “add brand image and core products [...] and share services, facilities, and manpower”;
 - Sells co-branded products in one branded store and not the other.

Co-branding in the consumer product industry has been studied from a wide range of perspectives: its impact on inter-organizational relationships [24], its impact on customer evaluation of brand extensions [3], its relationships in the business-to-business domain [8], its meaning as brand partnership and new product [5], its impact on new service line extensions [4], its antecedents [23], “the impact of a good product-fit in terms of attribute-level complementarity on co-branding success” [15], its impact on the buying behaviour of the consumers in retail sector [25], and its success drivers [21].

In the hospitality industry, “An entire class of co-branding activity is directed toward providing special convenience to the consumer for the delivery of multiple services and/or to provide service choice at a single location [bars, cafés, cinemas, clubs, convenience stores, fast food restaurants, gas stations, green markets, parking lots, pizzerias, playgrounds, pubs, quick service restaurants, restaurants, specialty retail establishments, shopping malls, supermarkets, and truck stops].” [12]

Co-branding has advantages and disadvantages [12,17]:

- Advantages:
 - For customers:
 - It creates illusions of exclusivity through limited-edition or limited-duration products;
 - o It is particularly convenient for families / co-workers who dine out, but cannot agree on what type of food they want;
 - o It provides more variety while visiting a single counter (unlike traditional food courts): combining quick service restaurants and retail outlets (McDonald’s and Wal-Mart), purchasing gas and meal while travelling (at a gas station), satisfying two different children’s tastes (with one restaurant stop);
 - For restaurateurs:
 - o It allows companies to achieve synergies in their advertising efforts;
 - o It builds wider customer base for new products and advertising;
 - o It elevates brand’s financial success, popularity, and reputation;
 - o It enables restaurateurs to secure prime locations that they otherwise would not have been able to achieve, thus reducing their operating costs;
 - o It enables retailers that are relatively unknown to gain credibility by pairing up with a well-established brand;
 - o It enhances drawing power appeal to diverse customer bases;
 - o It increases points of distribution;
 - o It increases popularity and sales for both of the partnered brands;
 - o It increases store traffic by balancing day-parts (one brand does a strong lunch business, the other brand does a strong dinner business), thus exploiting day-parts to their fullest;
 - o It introduces loyal customers of one brand to the other brand;
 - o It lowers financial risk;
 - o It maximizes back-of-the-house efficiency;
 - o It maximizes return on investment;
 - o It provides a good distribution channel for the less famous brand;
 - o It provides added value to the customer by serving customer needs that a single franchise concept cannot meet;
 - o It results in automatic credibility in the eyes of the consumer;
 - o It results in consumer awareness and public relations success;
 - o It saves money;
 - o It uses another brand’s strong reputation when trying something new or different;

- Disadvantages:
 - For customers:
 - o Negative / neutral feelings toward one brand may be transferred to a brand with which it is paired;
 - For restaurateurs:
 - o It can result in identity loss if several co-brand locations are used, especially if some of these co-brand arrangements are with different brands;
 - o It dilutes the effect because two companies share success of the co-branded item;
 - o It needs close monitoring of the co-brand;
 - o It relies on another brand's equity and reputation.

Co-branding in the hospitality industry has been studied from the perspective of brand affiliation in the hotel market [19], of its “impact on perceived risk, perceived value and intention to purchase” [2], of its impact on consumer-based brand equity of hospitality products [26].

In both consumer product industry and hospitality industry, co-branding success depends on three categories of mass-media communication-related drivers [21]:

- “Brand characteristics, which have been found to be positively correlated with the success of co-branding and brand extension, refer to consumer: brand attitude (positive or negative judgment or feeling held about a brand, which influences consumer brand choice), brand equity (value that is driven by consumer perception of the brand), brand familiarity (accumulated knowledge about a product), brand perceived quality (product superiority to the other alternatives), brand trust for partner brands (confidence in the brand to perform its promised function);
- Brand relational characteristics (relationship between the brands): brand fit (congruence of consumer perceptions/associations about the brands), product fit (consumer perception of the similarity and compatibility between two product categories), sensory fit (congruence of colour, shape or size of the partner products in a co-branding);
- Consumer-related characteristics: brand consciousness (ability to identify brand names and to seek out well-known brands that signal a reduction in risk), brand involvement (involvement with the partner brands triggers the appeal of co-branding), dialectical self (degree of cognitive tendency to tolerate the inconsistencies in one's self-concept), need for uniqueness (preference to switch first to alternatives for specific brands rather than switching to completely different brands), self-congruity (perceived fit between the brand and the consumers' actual and ideal selves), variety seeking (preference to switch first to alternatives for specific brands rather than switching to completely different brands).”

MATERIALS AND METHODS

McDonald's restaurants all over Romania [18] made up the material necessary to carry out this study.

The method chosen is the *case study method*, which enabled a close exploration of a successful co-branding between McDonald's (McDonald's restaurants in Romania) and its relationships with other brands.

RESEARCH RESULTS

The analysis of the network of McDonald's restaurants in Romania [18,20], easily recognisable from far due to the famous arches – revealed the following:

- There are McDonald's restaurants in 27 of the 41 counties (65.85%);
- There are McDonald's restaurants in 27 towns and cities (79.41%) and 7 communes (20.58%);

- There are 89 McDonald's restaurants, of which 38 in Ilfov County (48.69%), 5 in each of Brasov and Cluj counties (5.61%), 4 in each of Constanța, Prahova and Timiș counties (4.49%), 3 in each of Hunedoara and Iași counties (3.37%), 2 in each of Bacău, Bihor, Buzău, Dolj, Sibiu and Suceava counties (2.24%), and 1 in each of Alba, Arad, Argeș, Brăila, Dâmbovița, Galați, Hunedoara, Maramureș, Mureș, Neamț, Olt, Satu Mare, Vâlcea, and Vrancea counties (1.12%);
- Thirty-three of the 38 McDonald's restaurants in Ilfov County are in Bucharest (86.84%), while the other 5 are in Balotești (2.63%), Bragadiru (2.63%), Chiajna (2.63%), Otopeni (2.63%), and Voluntari (2.63%);
- Four of the 5 McDonald's restaurants in Cluj County are in Cluj-Napoca (80.00%), while the fifth one is in the Commune of Florești (20.00%);
- Three of the 4 McDonald's restaurants in Prahova County are in Ploiești (75.00%), while the fourth one is in Blejoi (25.00%);
- There is no McDonald's restaurant in the counties of Bistrița-Năsăud, Botoșani, Caraș-Severin, Călărași, Covasna, Giurgiu, Gorj, Harghita, Ialomița, Mehedinți, Sălaj, Teleorman, Tulcea, and Vaslui – counties where the mean salary is between 2,349 RON/month (Harghita County) and 2,672 RON/month (Giurgiu County);
- Though the mean salary in Bihor County (2,385 RON/month) and Vrancea County (2,389 RON/month) is among the lowest mean salaries in Romania, there are McDonald's restaurants there, too (2 in Bihor County and 1 in Vrancea County);
- There are 33 McDonald's restaurants in Bucharest (the capital city) alone (37.07%), where the mean salary is 4,068 RON/month;
- Bucharest is followed by Cluj County (3,449 RON/month) with 4 McDonald's restaurants and by Timiș County (3,310 RON/month) with 4 McDonald's restaurants (Figure 1);
- Seventeen of the 89 McDonald's restaurants in Romania are located in malls (19.10%) – 8 in Bucharest, 2 in Constanța, and 1 in each of the following towns and cities: Bacău, Craiova, Iași, Suceava, and Timișoara;
- One of the 89 McDonald's restaurants in Romania is located in a cinema hall (Târgu Mureș) (1.12%);
- One of the 89 McDonald's restaurants in Romania is located in a supermarket (Bucharest) (1.12%);
- One of the 89 McDonald's restaurants in Romania is located in a green market (Bucharest) (1.12%).

McDonald's co-branded to ensure proper location, high quality products, and high-quality services.

Location. The location of the 89 McDonald's restaurants in Romania from a co-branding perspective is restrained to only four (cinema, green market, mall, supermarket) of the seventeen ones identified above:

- Seventeen are located in malls (19.10%) – in Bacău, Bucharest, Constanța, Craiova, Iași, Suceava, and Timișoara;
- One is located in a cinema hall (1.12%) – Cinema Arta, in Târgu Mureș;
- One is located in a supermarket (1.12%) – Carrefour, in Bucharest;
- One is located in a green market (1.12%) – Progresul, in Bucharest.

However, the location of the 89 restaurants extends also to opera houses (one restaurant is located opposite the Opera House in Timișoara), to stadiums (one of the restaurants is located near the “Dan Păltinișan Stadium”), to supermarket parking lots (one of the restaurants is located in a Billa Supermarket parking lot), etc.

As a general rule, most restaurants are located at a crossroads to benefit from the visibility generated by the traffic.

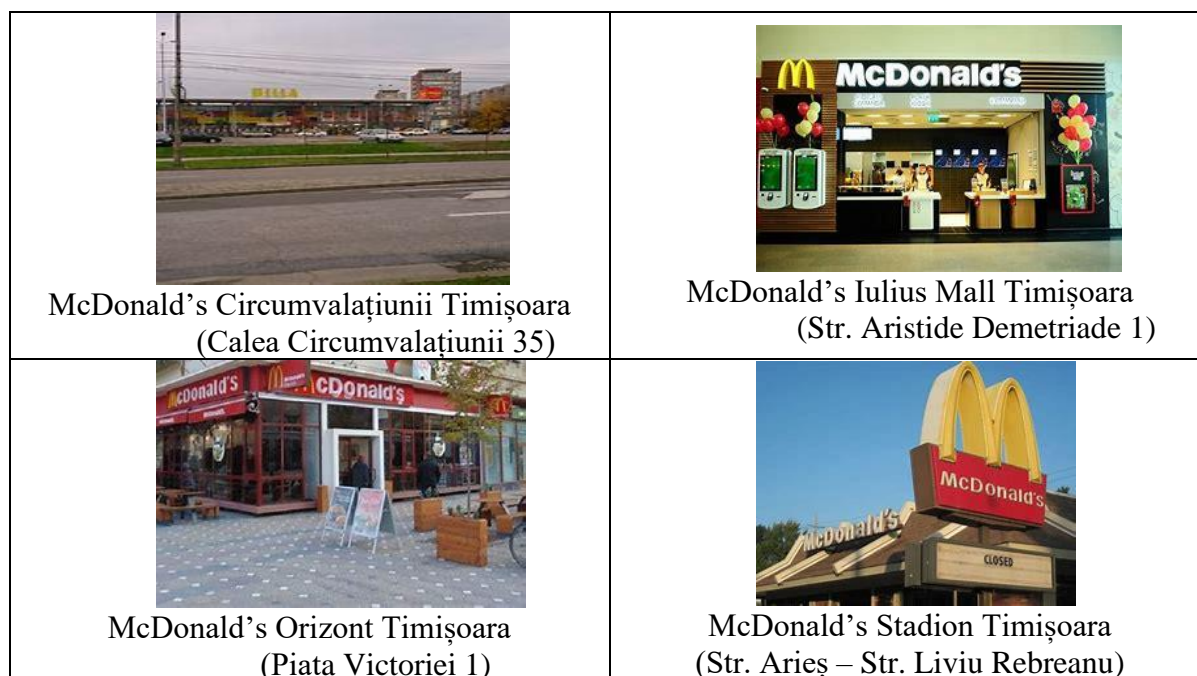


Figure 1. McDonald's restaurants in Timiș County, Romania

High Quality Products. The main high quality products McDonald's restaurants need are buns, cheese, Coca-Cola, eggs, ham, and vegetables:

- Buns are supplied by GoodMills Romania S.A. (Titan S.A. until 2014) [11], a company located in Pantelimon, Ilfov County, established in 2014, with a long tradition on the milling and bakery market, and one of the oldest milling factories in the country;
- Cheese is supplied by Hochland Romania S.R.L. [14], a company located in Bucharest, Romania, established in 1998 and specialized in the production of dairy products (mainly cheeses);
- Eggs are supplied by S.C. Toneli Holding S.R.L. [22], a company located in Bucharest, Romania, established in 1997, the most famous brand in Romania in consumer egg market;
- Ham is supplied by Angst Romania[1], a “meat artisan” company located in Buftea, Romania, established in 1991, whose mission is to produce high-quality meat products;
- Refreshing drinks (Apple Juice, Cappy, Coca-Cola, Dorna mineral water, Fanta, Fuzetea, Orange Juice, Sprite) are supplied by Coca-Cola H.B.C. Romania S.R.L. [6], a company located in Voluntari, Romania, established in 1991;
- Vegetables are supplied by Eisberg Romania[7], a company located in Voluntari, Romania, established in 1995, specialized in fruit and vegetable processing.

High Quality Services. There are two types of services McDonald's Romania needs: distribution services and food delivery services.

- Distribution is ensured by Havi Logistics S.R.L. [13], a company located in Bucharest, Romania, established in 1995, specialised in process, physical distribution, and logistics consulting services;
- Food delivery services are ensured by 82 Glovo units [10] (an on-demand courier service established in 2018, located in Bucharest, Romania), 65 foodpanda units (an online food and grocery delivery platform established in 2012, located in Bucharest, Romania) [9], and 40 Tazz by eMag units [27], (ex-EuCeMănânc, established in 2019, located in Timișoara, Romania).

CONCLUSIONS

The following conclusions can be drawn from the analysis of McDonald's Romania presence in the hospitality industry:

- McDonald's Romania co-branding is of interest from the perspective of its relationships in the business-to-business domain (i.e., the other brands it co-branded with), its impact on new service line extensions (i.e., the increasing number of restaurants open all over Romania), and of its impact on the buying behaviour of the consumers in retail sector (i.e., the increase of product / service purchase by McDonald's fans from other companies);
- Compared to other countries, McDonald's Romania co-branded with a rather low number of brands – locations such as cinemas (1), green markets (1), shopping malls (17), supermarkets (1) – but it took advantage of the location of its restaurants close to other locations of interests such as crossroads, opera houses, stadiums, etc.;
- McDonald's Romania co-branding with a considerable number of shopping malls in Bucharest and in other cities all over Romania can be explained by the purchase power of the Romanians (determined by the mean salary per month);
- McDonald's Romania absence in 14 counties is caused by the low level of the purchase power of the Romanians;
- McDonald's Romania co-branded with high-quality product suppliers such as Angst Romania, Coca-Cola H.B.C. Romania S.R.L., Eisberg Romania, GoodMills Romania S.A., Hochland Romania S.R.L., and S.C. Toneli Holding S.R.L., already affiliated with foreign companies (except for the last one);
- McDonald's Romania co-branded with high-quality service suppliers such as Havi Logistics S.R.L. (for supply distribution) and Glovo, foodpanda, and Tazz by eMag (for food delivery).

In conclusion, the increasing number of McDonald's restaurants in Romania are the proof that both McDonald's brand and McDonald's branding make up a successful business in our country.

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